

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Curt Hébert, Jr., Chairman;  
William L. Massey, Linda Breathitt,  
Pat Wood, III and Nora Mead Brownell.

New England Power Pool.	Docket No. ER01-2115-000
ISO New England, Inc.	Docket Nos. ER01-2192-000 and EL01-85-000
New England Power Pool	Docket No. ER01-2223-000
New England Power Pool ISO New England, Inc.	Docket No. ER01-2329-000
Regional Transmission Organizations	Docket No. RT01-99-000

ORDER ON STANDARD MARKET DESIGN

(Issued July 25, 2001)

In this order, we dismiss as moot the Standard Market Design (SMD) Document jointly submitted by ISO New England, Inc. (ISO-NE) and the New England Power Pool Participants Committee (NEPOOL) in Docket No. ER01-2329-000. We, nevertheless, commend the parties for their efforts and note that the SMD is a step in the right direction. We also dismiss Docket Nos. ER01-2115-000, ER01-2192-000, EL01-85-000, and ER01-2223-000.

Background

On June 28, 2000, the Commission approved a Congestion Management System/Multi-Settlement System (CMS/MSS) for the New England market in Docket Nos. EL00-62-000, et al. (June 28 Order).<sup>1</sup> The June 28 Order required ISO-NE to expedite implementation of NEPOOL's CMS/MSS. Prior to the SMD filing, ISO-NE had filed several preliminary schedules for implementation and begun evaluation of best

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<sup>1</sup>ISO New England Inc., 91 FERC ¶ 61,311 (2000).

available software. In an informational filing by ISO-NE on March 29, 2001 in Docket No. EL00-62-024, ISO-NE reported that it could not complete implementation of NEPOOL CMS/MSS until 2004. ISO-NE also reported that it was in discussions with PJM Interconnection, L.L.C. (PJM) about development of a standard market design<sup>2</sup> which would be applicable to both PJM and New England, and could be implemented much earlier than NEPOOL CMS/MSS.

Docket No. ER01-2115-000. On May 22, 2001, NEPOOL submitted an informational filing in Docket No. ER01-2115-000 concerning ISO-NE's and NEPOOL's efforts, in conjunction with PJM, to develop SMD, and sought an expedited Commission order approving its plan to proceed with the development of SMD in lieu of continuing to develop the NEPOOL CMS/MSS.

ISO-NE, in a protest in Docket No. ER01-2115-000, requested an expedited Commission ruling on the so-called "governance" question of how to proceed with SMD -- namely, whether SMD should be filed as a stand-alone market rule, in which case SMD would be filed by ISO-NE, or as an attachment to the Restated NEPOOL Agreement (RNA) and Open Access Transmission Tariff (NEPOOL Tariff), in which case SMD would be filed by NEPOOL.

Docket Nos. ER01-2192-000/EL01-85-000 and ER01-2223-000. Subsequently, ISO-NE, in Docket Nos. ER01-2192-000 and EL01-85-000, and NEPOOL in Docket No. ER01-2223-000 filed separate SMD proposals under Section 205 of the Federal Power Act (FPA).<sup>3</sup> ISO-NE's proposal is for a stand-alone market rule and NEPOOL's proposal is for an amendment to the RNA and NEPOOL Tariff.<sup>4</sup>

Docket No. ER01-2329-000. On June 19, 2001, NEPOOL and ISO-NE made a joint filing of a document entitled "Standard Market Design Document." NEPOOL and ISO-NE jointly requested expedited approval of the substantive provisions of SMD, stating that the substance of NEPOOL's and ISO-NE's SMD proposals are identical.

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<sup>2</sup>SMD consists of rules for market operation, including locational marginal pricing to manage transmission congestion in the market area.

<sup>3</sup>16 U.S.C. § 824d (1994).

<sup>4</sup>In light of these new filings, on June 7, 2001, NEPOOL made a filing in Docket No. ER01-2115-001 withdrawing its request for an expedited order in Docket No. ER01-2115-000 regarding proceeding with SMD.

The SMD Document provides the foundation upon which the details for SMD would be developed. SMD has the following features: a) as required by the June 28 Order, it replaces NEPOOL's current single system settlement with day-ahead and real-time markets; b) the energy market rules are virtually identical to those in PJM ; c) Regulation Service is maintained as a bid-based market and operated using the PJM design; d) as in PJM, operating reserves would not be traded initially through bid-based markets, pending further discussion on starting such markets with PJM; e) as required by the June 28 Order, congestion management is based on locational marginal prices; and f) as required by the June 28 Order, there will be a system of financial transmission rights. NEPOOL and ISO-NE noted that SMD would have substantial benefits over NEPOOL CMS/MSS, including: a) a common market design for PJM and NEPOOL; b) 9 to 12 month earlier implementation; c) a savings of \$18 million to \$26 million; and d) conformance with Commission Order No. 2000's requirement to integrate market interface practices.

ISO-NE and NEPOOL note, however, that the parties continue to disagree on the "governance" question. They also note that similar issues relating to the authority of ISO-NE have arisen in the RTO proceedings relating to the New England region in Docket Nos. RT01-86-000 and RM99-2-000<sup>5</sup> and in a pending complaint proceeding in Docket No. EL01-39-000, and that in an order issued on June 13, 2001,<sup>6</sup> the Commission required changes to provisions of the ISO Agreement and the RNA that could affect this matter.

NEPOOL and ISO-NE therefore ask that the Commission issue an order on or before August 1, 2001, accepting SMD as a rate schedule for the New England markets to become effective on August 1, 2001 for service rendered on and after the CMS/MSS effective date, but to defer ruling on the governance question. They also ask the Commission to consolidate all of these proceedings, and to extend to September 15, 2001, the date for submission of comments and/or protests to the Docket Nos. ER01-2192-000/EL01-85-000 and ER01-2223-000. NEPOOL and ISO-NE state that they are now asking the Commission not to act on the filings in Docket Nos. ER01-2192-000/EL01-85-000 and ER01-2223-000 within 60 days of their filing, as would otherwise be required under Section 205, but instead ask the Commission to act only following September 15, 2001, but no later than November 15, 2001.

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<sup>5</sup>See Bangor Hydro-Electric Company, 96 FERC ¶ 61,063 (July 12, 2001) (Bangor Hydro-Electric).

<sup>6</sup>ISO New England, Inc., New England Power Pool, 95 FERC ¶ 61,384 (2001).

Notice of Filing and Responsive Pleadings

Notice of ISO-NE's filing in Docket No. ER01-2115-000 was published in the Federal Register, 66 Fed. Reg. 30180 (6/5/01), with interventions, comments or protests due on or before June 12, 2001. Notice of ISO-NE's filing in Docket Nos. ER01-2192-000 and EL01-85-000 was published in the Federal Register, 66 Fed. Reg. 32803 (6/18/01), with interventions, comments or protests due on or before June 21, 2001. Notice of NEPOOL's filing in Docket No. ER01-2223-000 was published in the Federal Register, 66 Fed. Reg. 32345 (6/14/01), with interventions, comments or protests due on or before June 25, 2001. Notice of ISO-NE's and NEPOOL's joint filing in Docket No. ER01-2329-000 was published in the Federal Register, 66 Fed. Reg. 33675 (6/25/01), with interventions, comments or protests due on or before July 3, 2001.

Subsequently, in response to ISO-NE's and NEPOOL's request made in their joint filing in Docket No. ER01-2329-000, on June 19, 2001, the Commission issued separate notices in Docket Nos. ER01-2192-000/EL01-85-000 and ER01-2223-000 extending the date for interventions, comments and protests in those two dockets until September 15, 2001.

Docket No. ER01-2115-000: Motions to intervene and notices of intervention were timely filed by the Connecticut Department of Public Utility Control (Connecticut), Dynegy Power Marketing, Inc. (Dynegy), the Long Island Power Authority (LIPA), ISO-NE, National Grid USA (National Grid), Central Maine Power Company (Central Maine), the Attorney General of Rhode Island and the Rhode Island Division of Public Utilities and Carriers (Rhode Island), H.Q. Energy Services (U.S.), Inc. (HEUS), the Mirant Companies (Mirant), the New York Independent System Operator (NYISO), El Paso Merchant Energy (El Paso), Unitil Power Corporation/Fitchburg Gas and Electric Company (Unitil), New England Conference of Public Utilities Commissioners (NECPUC), the New England Publicly-Owned Entities (NEPOE), Northeast Utilities (NU), the Maine Public Utilities Commission (Maine), the Vermont Department of Public Service (Vermont), and the PSEG Companies (PSEG). Motions to intervene and notices of intervention were filed out of time by American National Power (ANP), the Massachusetts Department of Telecommunications and Energy (Massachusetts), Power Development Company (Power Development) and PPL EnergyPlus LLC (PPL).

Further, comments were timely filed by ISO-NE, PSEG, NU and National Grid, and protests were timely filed by NECPUC, Maine, NEPOE and Vermont.

Docket Nos. ER01-2192-000 and EL01-85-000: Motions to intervene and notices of intervention were timely filed by Connecticut, Dynegy, LIPA, National Grid, ANP, the State of Maine Public Advocate's Office (Maine Public Advocate), Massachusetts, and

the Vermont Electric Power Company and Central Vermont Public Service Corporation (Vermont Electric).

Docket No. ER01-2223-000: Motions to intervene and notices of intervention were timely filed by Central Maine, Dynegy, LIPA, Rhode Island, and United Illuminating Company (United), Massachusetts, Connecticut, National Grid and Vermont Electric. ISO-NE filed a motion to intervene and to consolidate this case with Docket Nos. ER01-2192-000 and EL-01-85-00 and Docket No. ER01-2115-000.

Further, United timely filed comments.

Docket No. ER01-2329-000: Motions to intervene and notices of intervention were timely filed by HEUS, Maine, Member Systems of the New York Power Pool (NY Member Systems), Mirant, the NEPOOL Industrial Customer Coalition (Industrial Customer Coalition), the New Hampshire Public Utilities Commission (New Hampshire), Unitil, Vermont, PPL, Calpine Eastern Corporation (Calpine), the New England Renewable Power Producers Association (NERPPA), ANP, Power Development, National Grid, NEPOE, NRG Companies (NRG), NU, NECPUC, Sithe New England Holdings, Inc. (Sithe), PG & E National Energy Group, et al. (PG&E) and PSEG. Motions to intervene were filed out of time by Vermont Electric and Constellation Power Source, Inc. (Constellation).

Further, NERPPA and NEPOE timely filed protests, and PG&E, Sithe, NECPUC, NU, National Grid, and PSEG timely filed comments. ISO-NE timely filed supplemental comments, and NRG filed supporting comments and a request for clarification.

## Discussion

Procedural matters. Pursuant to Rule 214(c) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(c) (2000), the timely notices of intervention and motions to intervene in Docket No. ER01-2115-000, Docket Nos. ER01-2192-000 and EL01-85-000, Docket No. ER01-2223-000, and Docket No. ER01-2329-000 serve to make the state commissions and movants, respectively, parties to this proceeding. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(d) (2000), in all four proceedings the Commission will grant the late-filed motions to intervene, given the early stage of the proceeding and the fact that no disruption of the proceeding or undue prejudice to existing parties will result and those movants' interest is not adequately represented by other parties in the proceedings.

SMD. We commend NEPOOL, ISO-NE and PJM for their efforts and commitment to develop SMD. Virtually all of the features of SMD have been previously

approved by us in the individual market design proposals of NEPOOL and PJM, and it is our view that NEPOOL and ISO-NE have taken significant forward strides in their efforts to implement an effective congestion management system as quickly and at as low a cost as possible. Most important, the parties' efforts toward development of standard rules applicable to both New England and PJM are consistent with the direction we recently took toward the development of market rules for the Northeast Regional Transmission Organization. We believe that the parties' efforts will significantly advance the development of such standard rules, as our RTO orders contemplate,<sup>7</sup> and will allow standard rules to develop more rapidly than if the parties had not made such filings.

Since the filing of the requests and applications in these four dockets, however, on July 11, 2001, the Commission issued the RTO Orders, which render moot the acceptance of a new market design solely for the New England region. In Bangor Hydro-Electric, we found that the New England Regional Transmission Organization (NERTO) proposed by New England market participants would be insufficient in its proposed scope and regional configuration to effectively perform an RTO's required functions and to support competitive power markets. We therefore required the participants in the proceedings involving the three proposed RTOs in the northeastern United States -- New England, New York, and PJM -- to participate in mediation on forming a single Northeastern RTO.<sup>8</sup> We also directed Administrative Law Judge H. Peter Young to convene a meeting of the parties and to mediate settlement discussions for a period of 45 days, and to file a report within 10 days after that 45-day period including an outline of a proposal to create a single Northeastern RTO, milestones for the completion of intermediate steps, and a deadline for submitting a joint proposal.<sup>9</sup>

These settlement discussions will clearly need to include negotiation over the correct market design and congestion management system for the future Northeastern RTO, and a resolution to those questions that is appropriate for the participants in all three current Independent System Operators (ISOs). Therefore, we will not now approve a new market design for the New England market and require ISO-NE and NEPOOL to expend significant resources on implementing that design, when in a relatively short

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<sup>7</sup>See Bangor Hydro-Electric; PJM Interconnection, LLC, 96 FERC ¶ 61,061 (PJM); PJM Interconnection, LLC, 96 FERC ¶ 61,060 (PJM West); New York Independent System Operator, 96 FERC ¶ 61,059 and Regional Transmission Organizations, 96 FERC ¶ 61,065 (Regional Transmission Organizations) (July 12, 2001) (collectively, the RTO Orders).

<sup>8</sup>Bangor Hydro-Electric, 96 FERC at -----, slip op. at 16.

<sup>9</sup>Regional Transmission Organizations, 96 FERC at -----, slip op. at 1-2.

amount of time, the new Northeastern RTO will be implementing a single market design applicable to NEPOOL, PJM and New York. We therefore will not rule on the merits of SMD as currently filed by ISO-NE and NEPOOL in Docket No. ER01-2329-000.

Our decision here also renders moot the comments and protests filed by the parties in all four of these dockets.<sup>10</sup> The issues raised in these pleadings will be resolved on a larger scale in the negotiations leading to the formation of a Northeastern RTO, and the parties still concerned with those issues, as they arise in that forum, may raise them there.

Other matters. We dismiss Docket Nos. ER01-2114-000, ER01-2192-000, EL01-85-000, and EL01-2223-000 as now moot, given our decision not to rule on the merits of SMD in Docket No. ER01-2329-000.

The Commission orders:

The Commission dismisses the SMD Document as moot, as discussed above.

By the Commission.

( S E A L )

David P. Boergers,  
Secretary.

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<sup>10</sup>The majority of those filings express the parties' support for SMD (United, National Grid, NRG, NEPOE, ISO-NE, PSEG) and address the governance questions (NEPOE, NECPUC, Sithe, PG&E, NU). Some of the filings raise particular issues with regard to SMD: United wishes to ensure that SMD does not change the agreements made by parties in bilateral contracts, National Grid states that changes are needed regarding the allocation of costs among load, NRG and NU assert that SMD must include operating reserve markets, and NERPPA seeks to waive locational marginal pricing for renewable power producers.